SHRI DINESHBHAI TRIVEDI : It is only after you read it that you would know whether it is commercial or not.

MR. CHAIRMAN : Question No. 82, Shri Chimanbhai Mehta.

(*Interruptions*). In fact, we have gone outside the scope of the question. I have given enough time-more than twenty minutes. Shri Mehta, please.

**Foreign Exchange Reserves**

*82. SHRI CHIMANBHAI MEHTA:† SHRI G.G. SWELL :

Will the Minister of FINANCE be pleased to state :

(a) what are the details of foreign exchange reserves accummulated till date including the break-up of the loans of foreign Institutions and NRI's accruals and foreign trade earnings ;

(b) what is the position of foreign exchange outgo and income during the current year ;

(c) what is the estimated Foreign Exchange earning and expenditure by the end of current year on the trade account ;

(d) whether it is permissible for foreign financial institutions to take back their investments in stocks and shares in dollar currency ; and

(e) whether FFIs are permitted to buy dollars from RBI by converting their earnings in rupee in stock exchange ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKARA MURTHY) : (a) to (e) a statement is laid on the Table of the House.

† The question was actually asked on the floor of the House by Shri Chimanbhai Mehta.

**Statement**

(a) India's Foreign Exchange Reserves as on 30.11.1994 comprising foreign Currency assets of the RBI, gold and SDRs are given below :

| | (US $ Million) |
|---|---|
| (i) RBI's foreign currency assets | 19496 |
| (ii) Gold | 4082 |
| (iii) SDR's | 2 |
| TOTAL | 23580 |

Foreign exchange reserves reflect the balance of payments position. The level of foreign exchange reserves at any point of time is the net result of the initial reserve level at the start of the year and a large number of transaction in the external sector comprising trade, invisibles and capital account transactions during the year whcih are difficult to segregate. Because of these flows, reserves are constantly changing. Hence, it is not possible to give the break-up of the contribution by any individual item towards the accummulation of reserves.

(b) The descriptive position oe foreign exchange outgo and incomt is given by the balance of paymens statistics compiled by the RBI. The statistics for the last three years are given in the attached statement (*See* below). Balance of payment data for the current year are yet to be finalised.

(c) Foreign Exchange earnings and expenditures are dependent on the performance of country's exports and its import requirements. These depend on a number of factors both national and international. It is, therefore, difficult to provide estimates for future mionths.

(d) and (e) Yes, Sir.

**Statement-I**

*India's overall balance of payments*

(US $ Million)

| Item | 1991-92 | 1992-93 | 1993-94 |
|---|---|---|---|
| Exports f.o.b. | 18477 | 19000 | 22700 |
| Imports c.i.f. | 20347 | 23000 | 23985 |
| Trade Balance | —2124 | —4092 | —1285 |
| Invisible, net | 11 | 489 | 970 |
| Current Account | —2113 | —3603 | —315 |
| External Assistance, net | 2916 | 1842 | 1700 |
| External Commercial Borrowings, net | 1647 | —452 | 839 |
| NRI deposits, net | —454 | 2001 | 940 |
| Foreign Investments | 279 | 585 | 4110 |
| Rupee Debt Service | | —977 | —745 |
| Other Capital, net | 1933 | 44 | 2148 |
| Capital Account | 4929 | 3043 | 8992 |
| Overall Balance | 2794 | —560 | 8677 |
| IMF, net | 75 | | 191 |
| SDR Allocation | 0 | | 0 |
| Reserves and Monetary Gold increase (—)/Decrease | —3575 | | 8868 |

Source : For Columns 2,3, and 4 Reserve I

**श्री चिमन भाई मेहता :** मेरे प्रश्न का कुछ जवाब नहीं दिया गया है। मेरा क्वेश्चन है

'what is the estimated foreign exchange earning and expenditure by the end of current year on the trade account;

वह कहते हैं

'Foreign exchange earnings and expenditures are dependent on the performance of country's exports and its import requirements.'

लेकिन कॉमर्स मिनिस्टर अखबारों में बयान देते हैं कि इस वर्ष का एक्सपोर्ट का परफार्मेंस 20 परसेंट वृद्धि में होगा। लास्ट ईयर भी वैसा ही हुआ था। तो क्या फाइनेंस मिनिस्ट्री को मालूम नहीं करते हैं, मैं नहीं समझ पाता। सर, मैंने क्लेरिफाई मांगा था। आपके पास करीबन 20 बिलियन डालर बढ़ने जा रहा है। तो वह कहां से आता है। तो उसके उत्तर में बताया गया है

'Hence, it is not possible to give the break-up of the contribution by any individual item towards the accumulation of reserves.'

तो यह तो बहुत चिंता की बात है कि आपको पैसा कहां से जमा होता है वह आप हमें बता नहीं सकते। तो यह मेरा ऑब्जर्वेशन होने के बाद मैं कहना चाहूंगा कि इस इफ्लेशन से काफी संबंध है।

MR. CHAIRMAN : Instead of saying something, please ask your question.

SHRI CHIMANBHAI MEHTA : Last question. You are giving ... currency and expanding Indian currency. The prices are going up and the exports are also being hit. My question is... 20 बिलियन डालर आपके पास आ गया तो उससे इफ्लेशन पर कोई असर हो रहा है या नहीं, उसकी वृद्धि हो रही है या नहीं? और ऐसा एस्टीमेट लगाया जाता है कि बाई दि मार्च, 95 रिजर्व 25 बिलियन डालर भी हो सकता है। तो आप इसको कैसे इस्तेमाल करेंगे? साईंटिस्ट हैं, मलेशिया है, ब्राजील है, उन लोगों ने अपनी स्कीमें बना रखी हैं कि कैसे रिजर्व इस्तेमाल किया जाए, वरना आप इतना रकम रखेंगे तो उसका क्या नतीजा होगा, वह भी हमें बताना चाहिए। क्या आपने कोई प्लान किया है कि इस सर्प्लस को कैसे इस्तेमाल किया जाए? मेरा पहला क्वेश्चन है।

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH) : Sir, as of now, our reserves, excluding gold, stand at about 19.5 billion dollars. We are aware that a growth in reserves can lead to increase in money supply. That is why we have taken measures to ensure that the growth in money supply is moderated. The Reserve Bank of India, in October, took measures to increase the Cash Reserve Ratio. The Reserve Bank of India has.....

श्री चिमन भाई मेहता : सर, मैंने हिन्दी में सवाल पूछा था। ... (व्यवधान) देश की जनता के लिए यह आवश्यक है कि हिन्दी में सवाल पूछा जाए।

MR. CHAIRMAN : He is replying in English to this question.

SHRI MANMOHAN SINGH : Sir, we have taken some other measures to see that people who raise money in the international capital market through GDRs will bring money into India only when they have definite plans to spend that money, and I am glad to report to the hon. House that as a result of these measures there is evidence that the reserve growth has been moderated. We are conscious of the fact that uncontrolled reserve growth can fuel monetary expansion, which in turn can accentuate inflationary pressures. Both monetary policies and other measures are being taken to moderate the growth of reserves.

MR. CHAIRMAN : Second supplementary, please.

SHRI CHIMANBHAI MEHTA: Sir, my first question is....

MR. CHAIRMAN ..... ask the second supplementary.

श्री चिमन भाई मेहता : वित्त मंत्री जी, आपने तो नहीं बताया लेकिन ब्रेक-अप मेरे पास है। This is very important. हिन्दुस्तान के जो इकोनोमिक जौरनल्ज हैं, इसमें जो बम्बई से निकलता है "कौमी" उन्होंने बताया है कि 9 बिलियन FCNR डिपोजिट आपके पास है, 17 बिलियन एफ०सी०एन०आर० डिपोजिट है, दो बिलियन इण्डिया डवलपमेंट बांड्ज, दो बिलियन यूरो इश्यु (व्यवधान) यह उन्होंने बताया है, —"Hence it is not possible to give the break-up of the contribution by any individual item towards the accumulation of reserves." आप यह लिखते हैं, अब दूसरी बात है कि जो स्टॉक मार्केट में दो बिलियन लगाए गए हैं— yes, now only one billion and half dollars have come in FDIs. जो हमारी इंडस्ट्रीज में लगना चाहिये। इसलिए मेरा क्वेश्चन है आपकी एक्सपोर्ट अर्निंग बढ़ाने के लिए दो बिलियन जो

स्टॉक एक्सचेंज में लग रहा है वह पैसा तो कभी भी चला जा सकता है। Therefore, out position is not so solid.

MR. CHAIRMAN: Please ask the question if you want the answer.

श्री चिमन भाई मेहता : इसलिए मैं कह रहा हूं एक्सपोर्ट इम्पोर्ट ट्रेड के बारे में although it does not directly concern your Ministry, still you must have some assessment.

क्या आप इम्पोर्ट के मुकाबले में एक्सपोर्ट बढ़ायेंगे। यह मेरा सवाल है।

SHRI MANMOHAN SINGH: Sir, the Right Hon. Members should, I think, read the attached statement which is annexed to the answer where we have given all the break-up of the balance of payments, the capital accounts, foreign investments and what has happened to non-resident deposits. All these things are given there.

DR. BIPLAB DASGUPTA: You have not divided the foreign investment into two parts. Direct investment is Okay. But what about hot money.

SHRI MANMOHAN SINGH: I would say that our reserve position has improved very substantially in the last three years, fundamentally because of three reasons. There has been a dramatic improvement in India's balance of payments and current account. There has also been a very large increase in capital inflow and the bulk of this capital inflow increase is non-debt creating. It is therefore not correct to say that this is all hot money. The foreign institutional investors—that is what probably the hon. Member has meant —are a small part of the total capital inflow. During April-November 1994 the total amount brought in by the foreign institutional investors, on a net basis, is only 1.35 billion dollars. Therefore, to conclude from this that our reserve increase is because of these speculative factors is entirely incorrect. At the same time, I would like to say that our Government is fully conscious of the fact we have to strengthen India's balance of payments and current account. We, recognize the impotrance of strong, sustained capital growth and, according to our expectations, this year also, notwithstanding some slow-down in October—for reasons I do not have to go into—the country's exports will register a strong increase.

SHRI G.G. SWELL : Mr. Chairman, Sir, finance has never been my strong point.

SHRI CHATURANAN MISHRA : Have you checked your pocket?

SHRI G.G. SWELL : I find that the jingo in the statement there is some what unintelligible to me. For example, I do not understand the plea of the Finance Minister that the contributions of the different sectors, for example, foreign institutions, loans rom them, the contributions from NRIs and our foreign trade earnings cannot be segregated. Why can they not be segregated ?

SHRI MANMOHAN SINGH : They have been segregated.

SHRI G.G. SWELL : You are saying it in your statement.

SHRI MANMOHAN SINGH . For the current year we cannot segregated them.

SHRI G.G. SWELL : Anyway, I am not talking of the current year. You can at least say something else, something different, in your statement that in the previous years you have done it and so on and so forth. So, your statement at the back and what you are saying now are self-contradictory.

Anyway, I will turn to your statement. Why are all our exports f.o.b. and our imports c.i.f. ? Does this system work to our advantage ?

When we look at the figures for 1992-93, why is there such a big difference in our trade balance, £4,002 million? Why is there such a big difference in our current account and in our overall balance also in this particular year? What are the factors? What has happened in this particular year?

These are a few questions, Sir.

SHRI MANMOHAN SINGH: As far as 1994.95 is concerned, the year is still on, and, therefore, it is not possible for me as of now to give the various factors which have contributed to the reserve growth in the current year. But, as far as 1991-92, 1992-93 and 1993-94 are concerned, the statement annexed to this answer clearly gives what has happened to the balance of payments, about the increase in the reserves and the contributory factors. I have mentioned, basically there has been improvement in the trade balance, and in the current account balance with net increase in the capital inflow.

The hon. Member has asked why our exports are f.o.b. and our imports are c.i.f. That is the way the balance of payments data are presented. The difference between the c.i.f. and the f.o.b. is due to cost, insurance and freight. That will appear elsewhere in the current account. The difference between the trade balance and the current account balance is largely because of this indivisible payment. You would notice that there is a dramatic improvement in the overall current account as well as the balance of payments account. If you look at what was happening in 1990-91, current account deficit was about $ 9 billion to $ 10 billion. This deficit has been reduced very sharply. That is why, together with large capital inflows, our reserve position has improved.

SHRI G.G. SWELL: Sir, I asked what had happened to the year 1992-93. In the year 1992-93 why is there such a big gap in our trade balance, in our current account balance and in our overall balance?

SHRI MANMOHAN SINGH: The difference between the trade balance and the current account, I have explained, is because of the movement in net invisibles. The difference between the current account and the overall account is due to the movements in the capital account. The capital account movements are foreign investments, external assistance, and commercial borrowings. All those things have been given in the statement.

SHRI VIREN J. SHAH: Sir, the higher reserve of foreign exchange is certainly not a matter of concern, but it is a good thing. But there is a feeling which is expressed even here and outside that these reserves are creating inflationary pressures. May I know from the hon. Minister if there are any lessons to be learnt from countries smaller than us like Taiwan having $82 billion or $83 billion of reserves or a larger country like China with over $40 billion reserves. How do they manage this? Are there some lessons to be learnt from them to enable us also to manage our inflationary pressures? If there are some, what are they? Related with that is inflation which is rising to come up to double digits. The hon. Minister had earlier said that by the end of October, it will come down to eight per cent or something like that. It has gone up in December. So, are there also factors of expenditure by the Central Government which were note thought of or planned in his previous Budget and in the current year's Budget, which have gone up becaus

of sudden announcement of a variety of reliefs which may or may not be necessary? If so, how are we managing that?

SHRI MANMOHAN SINGH: The hon. Member has asked me as to how other countries manage their foreign exchange reserves. I am not an expert on the management of reserves either by China or by Taiwan, but there is a fundamental distinction. The reserve level at any given moment of time is a function of accumulation over a large number of previous years. As far as I understand, their reserves have not accumulated [illegible] port period; they have accumulated over many years. Now, in absolute terms our reserves are not very large. It is only that they have increased in the last two years in such a sh[illegible]ner which is welcome on the [illegible] but it has great problems with regard to the impact of money supply. I have already mentioned that we have taken remedial steps to contain the growth of money supply.

SHRI VIREN J. SHAH: Part (b) of my question was on inflation. Various expenditures were not planned in your last two Budgets and they are suddenly coming up? To what extent they are and how are we managing that part. Are they related to inflationary pressures?

SHRI MANMOHAN SINGH: When I had presented the Budget I mentioned that as of now our intention is to reduce the fiscal deficit to six per cent of GDP. Our revenue expectations are broadly being fulfilled. There is some increase in expenditure. But, as of now, I am confident that we will be able to cope within the target that I have set for the fiscal year 1994-95.

SYED SIBTEY RAZI : I am really happy to see the figures provided by the hon. Finance Minister that there is a definite improvement in the balance of payments position. I would like to know through you from the hon. Finance Minister that during the previous Governments quite a large amount of gold was mortgaged to the foreign banks to bring some foreign exchange. May I know from the hon. Finance Minister how much gold had been brought back to India or still there is some amount of gold lying with the foreign banks ? And if the whole gold had been brought back, what amount had been paid in the form of foreign exchange to exchange to these foreign banks?

SHRI MANMOHAN SINGH: Sir, I do not have the exact figures, but all [illegible] gaged is now [illegible]

SHRI GURUDAS DAS GUPTA: The hon. Finance Minister has been going round [illegible]ow and then to [illegible] no-mic improveme[illegible] re-form[illegible] reflected [illegible] the foreign exch[illegible] reserve. It is true, Sir, that foreign exchange reserves have improved. Since he does not have any information des[illegible]d conception about [illegible] things.

China is [illegible] our time reserves and most of the reserve is because they have gained. That is their export is much better and higher than their imports. The hon. Minister has given us a description. [illegible]ding to [illegible]e balance [illegible] account is [illegible]ve and mo[illegible]ary [illegible]se is also negative. (*Interruptions*) Current account is negative and trade balance is negative. It means that our import is more than our export. [illegible] that it has decreased. However, the point is the performance has improved but not to the extent of the increase in the reserve. The increase in the reserve is not commensurate with the improvement in our performance. Therefore, the question arises, what is the additional source? The additional source has been the flow of money from other countries. There is a loss of profit expectation in other parts of the world and the capitalist look for profit and expecting profit. So, they

are coming to India. That is an important element.

MR. CHAIRMAN: Now, please conclude with the question.

SHRI GURUDAS DAS GUPTA: May I request him to kindly answer (a) What is the basic reason for the improvement in the foreign exchange reserves? (b) What part of the foreign investment that has come to India has been invested in production and what part of it has not been invested?

SHRI MANMOHAN SINGH: Mr. Chairman, Sir, with regard to the first part of his question, I have already mentioned that it is true that we have a current account deficit and we have a trade deficit. But considering the trade deficit and the current account deficit of over $9 billion in 1990-91, there is a dramatic improvement that has taken place, as these figures would show.

With regard to the capital investment, I have also explained that the portfolio investment which is susceptible to short-term changes in the interest rate is only a small part of the total inflow. During April-Nov. 1994, the total net inflow on this account had only been $1.352 billion. So, this cannot explain the entire increase in the reserve.

The third part he had asked about direct investment. From 1991 to August, 1994, the total approvals of direct investment is about $6.4 billion and the actual disbursement out of that is $ 1 47 billion.

SHRI GURUDAS DAS GUPTA: That is the gap.

SHRI MANMOHAN SINGH: I think that it is not a gap. The approvals do not figure in the balance of payments. The balance of payments is compiled only on the basis of actual cash inflow and the actual disbursement of direct investment is $1.47 billion. The disbursement--accrual ratio is 23 per cent.

SHRI GURUDAS DAS GUPTA: Which means one-fourth of investment is in production. What is the percentage? Let me know the percentage.

SHRI MANMOHAN SINGH: As I said earlier, these are all approvals. This is not...(*Interruptions*)...

SHRI GURUDAS DAS GUPTA: Your total investment here is $ 4,110 Millions. I would like to know what the percentage of the amount actually invested is. That is the point.

SHRI MANMOHAN SINGH: What can I do? I do not...(*Interruptions*).

SHRI GURUDAS DAS GUPTA: That is the information which the Minister will not share with us. That is where the lacuna of his entire economic policy lies.

**श्रीमती सुषमा स्वराज** : सभापति जी, इस सवाल का जवाब देते हुए मंत्री महोदय ने दो आंकड़े दिए हैं--एक एक्सटर्नल असिस्टेंस नेट 1700 मिलियन डॉलर और एक्सटर्नल कॉमर्सियल बॉरोइंग्स का नेट 839 मिलियन डॉलर्स, लेकिन इसी प्रश्नावली में मेरा अगला एक सवाल है प्रश्न संख्या 96 जिसमें कि मैंने पिछले तीन वर्षों में विदेशों से लिए गए ऋण की राशि का जानकारी प्राप्त करनी चाही थी। उसमें मंत्री महोदय ने जो आंकड़ा दिया है, वह है 16,561 करोड़ रुपया नेट एक्सटर्नल कॉमर्सियल बॉरोइंग्स का 1993-94 का। ये दोनों आंकड़े एक दूसरे से मेल नहीं खाते। इसलिए मैं मंत्री महोदय से जानना चाहूंगी कि मेरे प्रश्न के उत्तर में दिया हुआ आंकड़ा सही है या इस प्रश्न के उत्तर में दिया गया आंकड़ा सही है क्योंकि यहां नेट बॉरोइंग्स का आंकड़ा है और मेरे सवाल के जवाब में बिल्कुल एक भिन्न आंकड़ा मंत्री महोदय ने दिया है?

SHRI MANMOHAN SINGH: Sir, as far as I know the figures that the hon. Member is referring to, are in rupees. The table gives our balance of payments in terms of U.S. dollars.

श्रीमती सुषमा स्वराज : सभापति जी, मैंने अलग कागज पर डॉलर के रुपए बनाकर भी देख लिए और रुपए रुपयों से मेल नहीं खाते और अब रुपयों के डॉलर बनाकर भी देख लिए और डालर डालर्स से मेल नहीं खाते। मैं डालर का रुपयों से मिलान नहीं कर रही हूं बल्कि डालर का डालर से मिलान कर रही हूं और रुपयों का रुपयों से मिलान कर रही हूं। ...(व्यवधान)...मैंने गुणा और तकसीम दोनों करके देखा है। ...(व्यवधान)...मैंने रुपयों का तकसीम किया है और डालर का गुणा किया है। ...(व्यवधान)...

MR. CHAIRMAN: The Minister is on his legs. (*Interruptions*).

श्री अजीत जोगी : और रेट क्या लगाया है आपने ?

श्रीमती सुषमा स्वराज : पर डालर 30/- रुपया लगाकर के मैंने किया है। ...(व्यवधान)...

श्री अजीत जोगी : 30/- रुपए में आप बेचेंगी हमें। ...(व्यवधान)...

MR. CHAIRMAN: Please let us hear the Minister.

SHRI MANMOHAN SINGH : Sir, when we come to the question, I will explain it. As far as I know, there is no contradiction. The meaning of 'net' is defferent. The word 'net' can be used in several terms. Sometimes it is net of both repayment of principal and interest; sometimes it is not. If there is any discrepancy, I will come back to the House. As far as I know, there is no discrepancy.

MR. CHAIRMAN: Question No. 83. Smt. Chandrika Abhinandan Jain.

**Installation of High Power/Low Power Transmitters in Maharashtra and Gujarat**

***83. SHRIMATI CHANDRIKA ABHINANDAN JAIN : Will the Minister of INFORMATION AND BROADCASTING be pleased to state:**

(a) The places in Maharashtra and Gujarat which have been selected during Eighth Five Year Plan period for installation of high and low power transmitters for opening TV Centres;

(b) what are the district-wise details in this regard;

(c) whether proposals from the respective State Governments have been received in this regard;

(d) if so, what action/measure has been taken thereon; and

(e) the reasons in case no action/measure has been taken?

THE MINISTER OF STATE OF THE MINISTRY OF INFORMATION AND BROADCASTING (SHRI K.P. SINGH DEO): (a) to (e) A statement is placed on the Table of the House.

**Statement**

Locations where High and Low Power Transmitters are under implementation/envisaged to be set up as a part of Doordarshan's Annual Plans 1992-93, 1993-94 and 1994-95 of Eighth Plan, spill over projects of Seventh Plan and Annual Plans 1990-91 and 1991-92 in the States of Maharashtra and Gujarat, district-wise are given in the statements I and II respectively (*see* below). The implementation of these projects would depend upon availability of adequate resources and infrastructural facilities for the purpose.

Representations have been received from time to time from various quarters for setting up of T.V. transmitters at various locations in the States of Maharashtra and Gujarat. In response to the requests received, the steps taken by the Government to augment TV service in the said States are given in the Annexures referred to above.